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Ontario

economic and fiscal fact sheet

2003 Ontario Economic Outlook and Fiscal Review

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Province of Ontario

- Ontario is centrally located for both the Canadian and United States markets.
- Ontario accounts for 41% of Canada's GDP. In 2002, Ontario's GDP was C$478 billion or US$304 billion.
- Ontario is the industrial heartland of Canada, accounting for:
  - 54.0% of Canada's manufacturing shipments
  - 15.5% of North America's auto assembly
- As of July 1, 2002, Ontario's population was 12.1 million or 39 per cent of the Canadian population.
- Ontario's economy is comparable in size to those of nations like Sweden, Switzerland, Belgium and Austria.

Economic Comparisons

	GDP (2002) (US$ billion)
Ontario	**304.5**
Switzerland	267.4
Belgium	245.4
Sweden	240.3
Austria	204.1

Source: OECD and Ontario Ministry of Finance

Ontario's Economic Highlights

(Annual Average, Per Cent)

	2001	2002	2003p	2004p	2005p	2006p
Real GDP Growth	1.8	3.6	1.7	3.1	3.6	3.3
Unemployment Rate	6.3	7.1	7.0	7.0	6.5	6.4
CPI Inflation	3.1	2.0	2.6	1.5	1.8	2.0

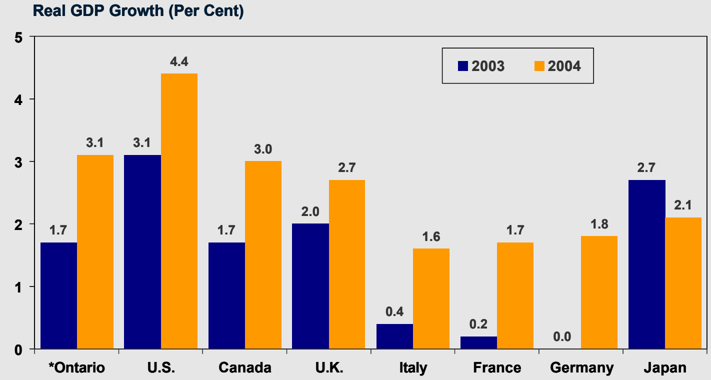
p = private-sector survey average.
Note: The number of forecasters falls from 10 in 2003 to 4 in 2006.
Sources: Statistics Canada and Ontario Ministry of Finance Survey of Forecasts (December 10, 2003).

Economic Growth to Rebound

- Interest rates in Canada are expected to remain low by historical standards, reflecting moderate inflation and the expected upward trend for the Canadian dollar.
- Private-sector forecasters anticipate, on average, that Ontario economic performance will be strong enough to generate employment growth of about 1.8 per cent a year from 2004 to 2006, or an average of 112,000 jobs a year. This would lower the unemployment rate to 6.4 per cent in 2006.
- Ontario real exports are projected to rise 4.2 per cent in 2004, after virtually no growth in 2003. As business adjusts to the higher level of the Canadian dollar, real exports are projected to rise by an average 4.2 per cent in 2005 and 2006.
- Ontario housing starts are on track to reach 84,600 units in 2003, up from 83,600 in 2002. This would be the highest level since 1989. In coming years housing starts are projected to slow, but still to remain at robust levels.
- Led by buoyant housing-related expenditures, real consumer spending is expected to rise by 3.8 per cent in 2003 and 3.6 per cent in 2004.
- The annual percentage growth in machinery and equipment investment is projected at 7.3 per cent for 2004, up from 1.2 per cent projected for 2003.

Ontario Remains Among Growth Leaders

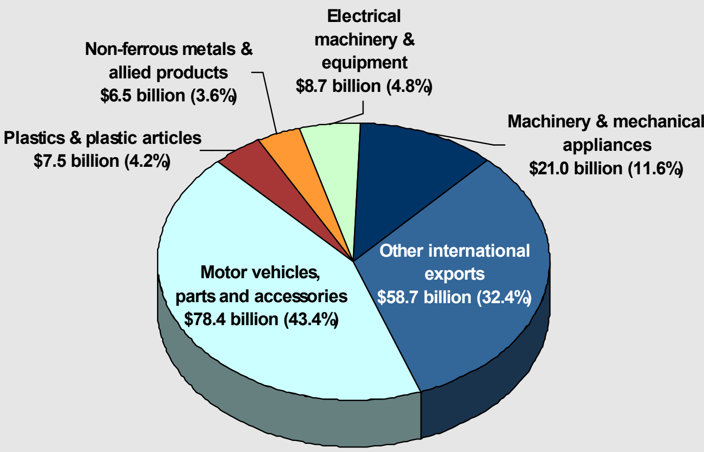
Real GDP Growth (Per Cent)



Sources: Consensus Forecasts (December 2003) and *Ontario Ministry of Finance Survey of Forecasts (December 2003).

Ontario Export Sector

Top International Exports* in 2002



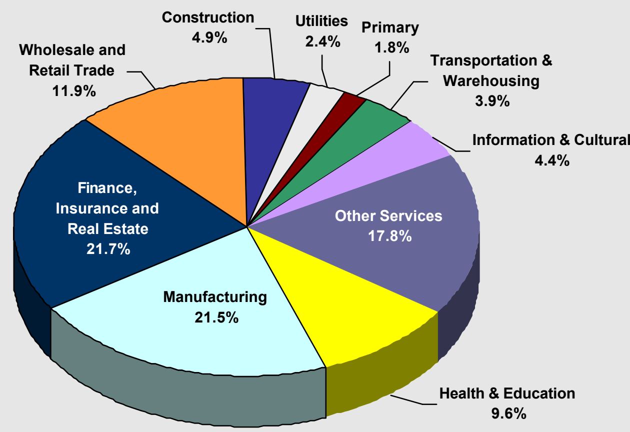
*Excludes re-exports

International Export Markets, 2002 (%)

United States	93.3
Western Europe (incl. European Union)	3.2
Asia & Oceania (incl. Pacific Rim)	1.9
Latin America & Caribbean	1.0
Middle East, Eastern Europe & Africa	0.6

Structure of the Ontario Economy, 2002

% Share of Gross Domestic Product, $1997



Employment by Selected Sectors, 2002

	(000s)	% of Total
Services Producing Sectors	4,433	73.0%
Manufacturing	1,120	18.5%
Construction & Utilities	405	6.7%
Primary Industries	111	1.8%
Total	**6,068**	**100.0%**

Note: numbers may not add due to rounding.

2003-04 Fiscal Outlook

Ontario is currently projecting a deficit of $5,621 million for 2003-04. The current fiscal outlook for 2003-04 reflects changes in the accounting treatment of the Ontario Electricity Financial Corporation (OEFC) consistent with the recently released 2002-03 Public Accounts and the recommendation of the Peters Report as well as the impact of recent revenue and expense measures announced by the government.

Total revenue is projected at $69,532 million in 2003-04, up $923 million from the 2002-03 level. This increase is primarily due to higher federal payments and a modest increase in tax revenue, partially offset by lower income from government enterprises and other non-tax revenue.

Total expense in 2003-04 is projected at $75,153 million, an increase of $6,661 million from the 2002-03 level of $68,492 million. This increase in expense is primarily due to higher levels of spending for health care, education, the post-secondary sector and infrastructure.

Based on reasonable revenue projections and the recent experience in Provincial spending growth, Ontario faces an ongoing structural deficit into the medium term, unless firm action is taken.

The government is determined to restore the Province's finances to a sustainable fiscal path, one that provides for health care, education and other services that the people of Ontario expect while ensuring that the government lives within its means. Only by eliminating the deficit can Ontario's programs and services be sustained and funded adequately in the long term.

2003-04 Fiscal Outlook
($ Millions)

	Actual	Outlook	Change	
	2002-03	2003-04	$ Millions	Per cent
Revenue	68,609	69,532	923	1.3
Expense				
Programs	56,922	62,554	5,632	9.9
Capital	1,876	2,574	698	37.2
Interest on Debt	9,694	10,025	331	3.4
Total Expense	68,492	75,153	6,661	9.7
Surplus/(Deficit)	**117**	**(5,621)**	**(5,738)**	**--**

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis.
Source: Ontario Ministry of Finance.

Economic and Fiscal Fact Sheet is compiled by the Ontario Financing Authority with sources from the Ontario Ministry of Finance, Ontario Ministry of Economic Development and Trade, Statistics Canada and the Organization of Economic Cooperation and Development (OECD).

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